

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AGR-10 CEA-01 CIAE-00 DODE-00

EB-07 FRB-01 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-02 RSC-01 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00 OMB-01

XMB-04 IO-10 OPIC-06 /136 W
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R 151806Z JAN 75

FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7282
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: UK TRADE AND CURRENT ACCOUNT IN DECEMBER

BEGIN SUMMARY: THE UK CURRENT ACCOUNT WAS IN DEFICIT BY
247 MILLION POUNDS (S.A.) IN DECEMBER, AN IMPROVEMENT OF
152 MILLION POUNDS OVER THE NOVEMBER LEVEL. THE VISIBLE
TRADE DEFICIT WAS 377 MILLION POUNDS (S.A.) OF WHICH 283
MILLION POUNDS WAS DUE TO TRADE IN PETROLEUM AND 94
MILLION POUNDS IN NON-OIL TRADE. PROVISIONAL ESTIMATES
SHOW EXPORTS 1,366 MILLION POUNDS (S.A., F.O.B.) AND IM-
PORTS OF 1,743 MILLION POUNDS (S.A., F.O.B.). THE
BALANCE ON SERVICES AND OTHER CURRENT TRANSACTIONS (IN-
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VISIBLE TRADE) IS ESTIMATED TO HAVE BEEN IN SURPLUS BY
130 MILLION POUNDS. IN 1974, AS A WHOLE, THE VISIBLE

TRADE DEFICIT WAS 5,190 MILLION POUNDS, COMPOSED OF AN OIL DEFICIT OF 3,491 MILLION POUNDS AND A NON-OIL DEFICIT OF 1,699 MILLION POUNDS. END SUMMARY

1. IN DECEMBER, THE UK TRADE DEFICIT SHOWED AN IMPROVEMENT OF 152 MILLION POUNDS OVER THE NOVEMBER LEVEL. THE DECEMBER DEFICIT WAS RECORDED AT 377 MILLION POUNDS (S.A., F.O.B., B/P BASIS), OF WHICH 283 MILLION POUNDS WAS DUE TO TRADE IN PETROLEUM AND PETROLEUM PRODUCTS (AN IMPROVEMENT OF NEARLY 7 PERCENT OVER NOVEMBER) AND A DEFICIT ON NON-OIL TRADE OF 94 MILLION POUNDS (A 58 PERCENT IMPROVEMENT OVER THE MONTH). IN THE THREE MONTHS SEPTEMBER - NOVEMBER, THE TERMS OF TRADE IMPROVED BY 3 PERCENT COMPARED WITH THE PREVIOUS THREE MONTH PERIOD (JUNE-AUGUST), AS A RESULT OF A 4.5 PERCENT INCREASE IN THE EXPORT UNIT VALUE INDEX AS AGAINST A 1.5 PERCENT INCREASE IN THE IMPORT UNIT VALUE INDEX.

2. FOR THE YEAR 1974, THE UK TRADE BALANCE RECORDED A DEFICIT OF 5,190 MILLION POUNDS (PROVISIONAL) COMPOSED OF AN OIL DEFICIT OF 3,491 MILLION POUNDS AND A DEFICIT IN NON-OIL TRADE OF 1,699 MILLION POUNDS (2,352; 941; 1,414 MILLION POUNDS RESPECTIVELY FOR 1973).

3. THE VALUE OF UK EXPORTS ROSE TO 1,366 MILLION POUNDS (S.A., F.O.B., B/P BASIS) AN INCREASE OF 73 MILLION POUNDS OVER NOVEMBER. IN FOURTH QUARTER, AS A WHOLE, THE VALUE OF EXPORTS WAS 4 PERCENT LOWER THAN IN THE PREVIOUS QUARTER, WITH EXPORTS OF MANUFACTURED GOODS 1 PERCENT LOWER AND NON-MANUFACTURES 11 PERCENT BELOW THE THIRD QUARTER LEVEL.

4. FOR THE YEAR 1974, THE VALUE OF EXPORTS TOTALED 15,456 MILLION POUNDS (F.O.B., B/P BASIS) AN INCREASE OF 35 PERCENT OVER THE 1973 LEVEL. APPROXIMATELY 3/4 OF THIS INCREASE WAS DUE TO INCREASED EXPORT PRICES, WHILE THE VOLUME OF EXPORTS ROSE BY SOME 7 TO 8 PERCENT.

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5. THE VALUE OF UK IMPORTS IN DECEMBER WAS 1,743 MILLION POUNDS (S.A., F.O.B., B/P BASIS), A DECREASE OF 79 MILLION POUNDS OVER THE NOVEMBER LEVEL WHICH INCLUDED THE VALUE OF THREE LARGE AIRCRAFT AND HIGHER THAN USUAL IMPORTS OF SHIPS.

6. IN 1974, AS A WHOLE, THE VALUE OF IMPORTS WAS 20,652 MILLION POUNDS (F.O.B., B/P BASIS) AN INCREASE OF 50 PERCENT OVER 1973. THE INCREASE RESULTED ALMOST EXCLUSIVELY FROM HIGH IMPORT PRICES, FOR THE TOTAL IMPORT VOLUME INCREASE WAS ONLY ABOUT 1 PERCENT OVER THE YEAR. THE VALUE OF PETROLEUM AND PETROLEUM PRODUCTS ROSE BY 227 PERCENT
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WHILE THE VALUE OF OTHER IMPORTED GOODS ROSE BY 31 PERCENT.

7. THE BALANCE ON SERVICES AND OTHER CURRENT TRANSACTIONS IS ESTIMATED TO HAVE BEEN IN SURPLUS BY ABOUT 130 MILLION

POUNDS. THUS, THE VISIBLE TRADE DEFICIT OF 377 MILLION POUNDS COMBINED WITH THE INVISIBLES SURPLUS OF 130 MILLION POUNDS COMBINE TO YIELD A DEFICIT ON CURRENT ACCOUNT OF 247 MILLION POUNDS (S.A.).

8. FOR THE YEAR AS A WHOLE, THE CURRENT ACCOUNT IS ESTIMATED TO HAVE BEEN 3,730 MILLION POUNDS COMPARED WITH 1,198 MILLION POUNDS IN 1973.

9. THE CUMULATIVE TOTALS FOR 1974 IN THE VISIBLE ACCOUNT COMPARED TO 1973 ARE:

	EXPORTS	IMPORTS	BALANCE
1973	11,460	13,812	-2,352
1974	15,456	20,652	-5,196

NOTE: ALL FIGURES ARE S.A., F.O.B., B/P BASIS, IN MILLIONS OF POUNDS. THE FIGURES INCLUDE PROVISIONAL DATA FOR DECEMBER 1974, PLUS REVISIONS FOR EARLIER MONTHS.

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